REMARKS

After entry of the foregoing amendments, claims 1-45 are pending in the application.

The allowance of claims 10-39 is noted with appreciation.

The specification has been amended in minor respects. Paragraph 5 has been updated with issued patent numbers; paragraph 13 has been amended to include subject matter disclosed in claim 2 as originally filed.

Claims 1, 3, 5, 6 and 9 have also been amended in minor respects, e.g., to improve clarity, and to further distinguish the art (e.g., the Barton reference cited by Applicants).

The Office's attention is drawn to the fact that the two sentence rejection of claim 1 in the August Action concludes with the sentence, *"And further see arguments above pertaining to Claim 1."* There are no "arguments above" pertaining to claim 1 – just the immediately preceding sentence.

Again, Applicants note that the Office's statement "the first data being related to the second data" in Kondo does not address the limitation found in claim 1.

Regarding claim 5, Bhaskaran does not teach decoding an auxiliary signal from the host signal, *where the auxiliary signal represents at least a portion of a content object that is perceptually similar to a content object represented by the host signal.*

The reference to col. 5, lines 5-9 and 58-61 in Bhaskaran, as allegedly meeting the "perceptually similar" limitation of Applicants' claim 5, is incorrect. These excerpts state only:

> For color images, watermark bits are embedded only in the luminance plane of the image. This is done so that during decompression, when the luminance-chrominances color representation is converted back to red, green, and blue pixel values (RGB), the resulting distortion is minimized.

> *and*

> Again, only the entropy coding of the compressed data is undone, avoiding the de-zig-zagging, dequantization, and IDCT steps needed for full decompression.

These passages do not teach that Bhaskaran's "watermark bits" (i.e., his auxiliary signal) represents a content object perceptually similar to that represented by this host signal (i.e., his

image). Instead, his "watermark bits" are said to convey "a digital signature of a hash function of the image" (Bhaskaran Abstract, second sentence.)

Bhaskaran's digital signature of a hash function of the image is not "perceptually similar" to the image itself. (See Bhaskaran's description of his complex hash function at the bottom of his column 2, and the description of his, *e.g.,* El Gamal digital signature scheme at the bottom of column 6.)

Claim 5 prior to amendment was properly allowable. The foregoing amendments broaden the claim, and improve readability.

Claims 40-44 are newly added and find support in the published specification, e.g., by paragraphs **[0013]** to **[0015]**. Claim 45 re-introduces the "decompressing" limitation removed from claim 5.

For brevity's sake, the foregoing discussion has noted only certain of the claims pending in the application, and only selected points have been reviewed in connection with each. Other points that might have been raised concerning the claims, the art, and the rejections, have not been belabored.

Favorable reconsideration is requested.

Date: October 25, 2006

Customer Number 23735

Phone: 503-469-4800
FAX 503-469-4777

Respectfully submitted,

DIGIMARC CORPORATION

By_____
William Y. Conwell
Registration No. 31,943